



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

BadgerCare Reestimate and Program Modifications

	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
Reestimate	\$11,569,900	\$33,071,000	\$11,654,200	\$33,307,800
5% Cost Share	-\$406,200	-\$1,395,200	-\$804,700	-\$2,764,400
Buy-In Employer Insur.	-\$129,200	-\$405,000	-\$129,200	-\$405,000
Employment Verification	-\$362,400	-\$1,245,000	-\$2,231,700	-\$7,666,400
Administrative Costs	\$263,400	\$526,800	\$570,600	\$1,141,200
Total	\$10,395,500	\$30,552,600	\$9,059,200	\$23,613,200

*Due to a technical error, funding for administrative costs was not included in the original budget bill submitted by the Governor.

Description of Proposal

- Fully fund benefit costs under current law, taking into account projected caseloads and rising health care costs and utilization.
- Increase premiums for BadgerCare enrollees with income above 150% of the Federal Poverty Level (FPL) to 5% of net income, from the current 3% of net income.
- Amend statutory provisions to allow a BadgerCare enrollee to immediately enroll in an employer sponsored health plan when it is determined by the Department that it would be cost-effective to pay the required premium for the individual to participate in that health plan.
- Require employed BadgerCare applicants and enrollees to obtain their employer's verification of earnings and health insurance coverage as a condition of initial eligibility and at their annual eligibility review.
- Provide funding for county economic support agencies to review the required employer verification reports.

Background

- BadgerCare, which began in July 1999, provides health care for low-income families with children who do not have access to employer-provided insurance. Families with income below 185% of the Federal Poverty Level (FPL) are initially eligible for the program, and can remain in the program until their income exceeds 200% of the FPL.
- In January 2003, 105,489 recipients were enrolled in BadgerCare. Of this total enrollment, 35,328 were children and 70,161 were parents. Approximately 73% of BadgerCare participants are enrolled in managed care. In addition, as required under federal law, approximately 62,000 children in BadgerCare families who are Medicaid eligible are enrolled under Medicaid.

- Enrollment grew from an average enrollment of 78,080 in SFY 2001 to an average enrollment of 91,946 in SFY 2002. From July 2002 to January 2003, enrollment grew from 97,237 to 105,489, an average increase of 1,375 enrollees per month.
- An actuarial analysis done for the setting of managed care rates indicated that the average cost of care (fee-for-service equivalent) for BadgerCare recipients increased by 6.1% from calendar year 2001 to calendar year 2002.
- For calendar year 2003, HMO capitation rates are estimated to be at a discount rate of 14.6% below the average cost per recipient not enrolled in managed care (fee-for-service equivalent).
- Under a separate proposal that would impose a 1% assessment on Health Maintenance Organizations (HMOs), capitation rates for BadgerCare would be increased to reflect projected intensity changes and to achieve an 8% discount from the fee-for-service equivalent.
- Currently, BadgerCare recipients over 150% of the FPL must pay a monthly premium to participate in BadgerCare. This premium is currently set at 3% of net income.
- Wisconsin's federal waiver agreement for BadgerCare would allow applying a cost share of 5% of income for families above 150% of the FPL. Wisconsin could increase the premium rate to 5% of net income for families with income above 150% of the FPL with an amendment to the federal waiver.
- The Health Insurance Premium Program (HIPP) pays the premiums of an employer sponsored health insurance plan for BadgerCare families or Medicaid Purchase Plan (MAPP) eligible individuals when it is determined to be cost effective. Under current insurance law, families or individuals who are determined eligible for HIPP must wait for open enrollment periods to be enrolled in the employer sponsored insurance plans. Enrollment in BadgerCare is not considered a qualifying event which would allow enrollment outside of the open enrollment period.
- Iowa and Massachusetts require applicants of their premium assistance programs to obtain their employer's verification of earnings and health insurance coverage as a condition of the application process.
- The requirement for obtaining employer verification reports would increase the workload of county economic support workers. This would increase the estimated time to process an application or review by one-half hour and would increase costs by an estimated \$1,141,200 (\$570,600 GPR) annually. (If the separate proposal to centralized eligibility activities (IM) is adopted, a portion of this funding would be needed for state administration.)

Rationale for Proposal

- Current law specifies the required services and the individuals eligible for coverage under BadgerCare. This proposal requests funding to meet the projected costs of providing the specified services to eligible individuals.
- BadgerCare provides a very cost-effective way for the state to provide health care to low-income families. Most enrollees in BadgerCare are entitled to the enhanced federal matching rate of 70.9% available under Title XXI. Only adults under 100% of the FPL are funded at the lower Medicaid federal matching rate of 58.5%.
- The requested funding is based on the assumption that caseload will stabilize over the 2003-05 biennium due to an improving economy. The projection estimates average annual caseload of 106,068 in FY 04 and 105,078 in FY 05, compared to current enrollment of 105,489 in January 2003.

- Although the projection estimates flat enrollment in FY 04 and FY 05, caseload is responsible for a significant part of the funding request since base funding was established assuming estimated enrollment of 92,556 in FY 03. A funding shortfall of approximately \$9.7 million GPR is projected for BadgerCare in FY 03.
- The 03-05 funding request is based on estimated intensity increases in the average cost of care per recipient (intensity) of 6.1% annually, which is the increase that occurred between CY 2001 and CY 2002, as determined by an actuarial analysis.
- In order to maintain HMO participation in the BadgerCare program, it is important that capitation rates be adjusted for intensity changes since HMO rates under the BadgerCare program are already at a very high discount rate (14.6% in CY 03) compared to the fee-for-service equivalent. BadgerCare would be significantly more costly if HMOs did not participate, and the program had to rely more heavily on the fee-for-service system.
- Prompt enrollment of HIPP eligible employees reinforces the federal directive to avoid replacing private health insurance resources with public funds and effectively utilizes those private resources to reduce the cost of BadgerCare.
- Under state law, there are already a number of qualifying events, such as marriage and a birth of a child, upon which an employer must allow an employee to immediately join the employer sponsored health plan, even if it is not during the open enrollment period.
- Requiring applicants and enrollees to obtain employer verification reports will better insure that the BadgerCare program is used only by families that meet the program requirements. Also, such reports will help to identify individuals that are eligible for the HIPP program, which will reduce the costs of extending health care coverage.